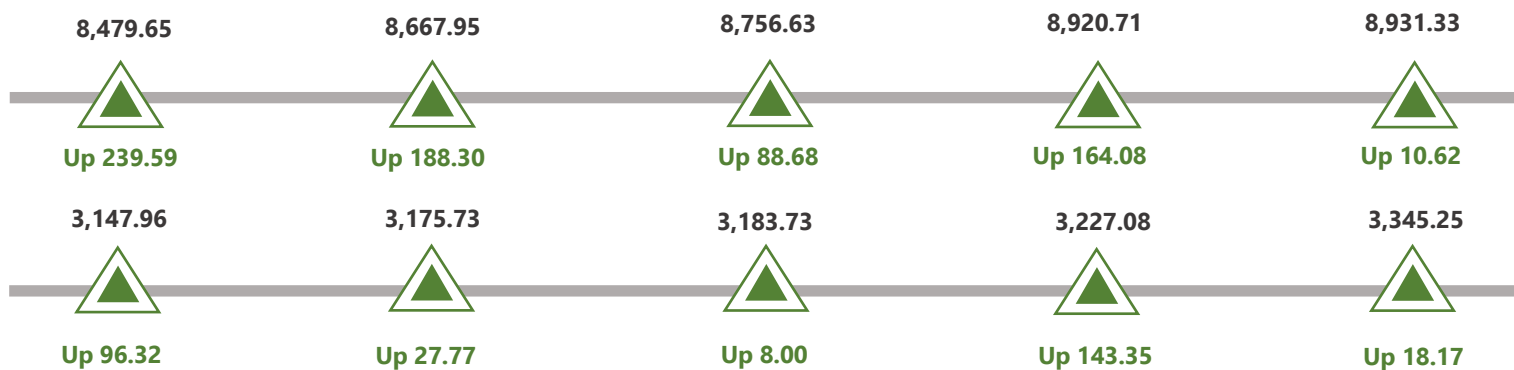


EXPO Strikes Back! Market Turns Bullish as Speculation Surrounding Lockdown Ends

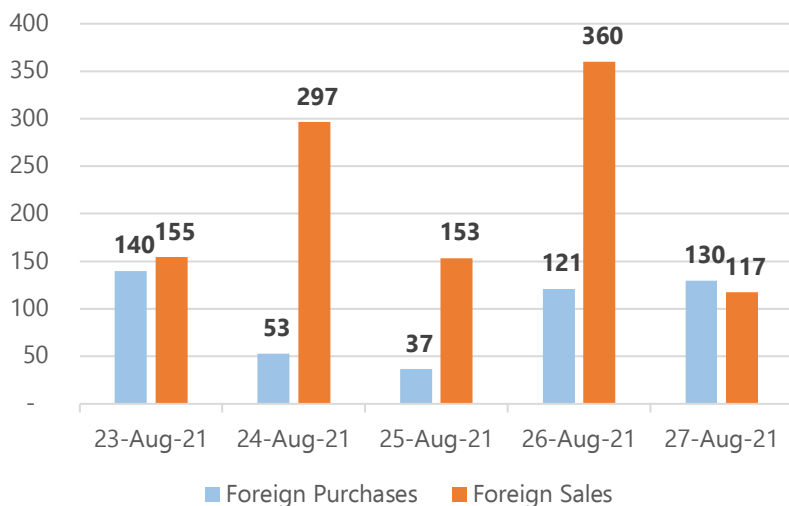
ASPI and S&P SL 20 Weekly Movement 23<sup>rd</sup> August – 27<sup>th</sup> August

Source: CSE



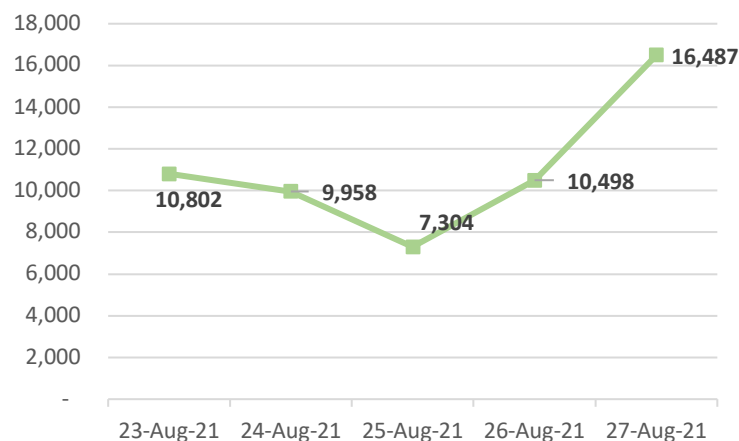
Foreign Purchases vs. Foreign Sales (in LKR Mn)

Source: CSE



Daily Turnover for the Week (in LKR Mn)

Source: CSE



- The ASPI rose by 5.33% this week.
- The S&P rose by 6.27% this week.
- The net foreign outflows for the week came in at LKR 601 Mn
- The all share made monumental gains this week with the bourse jumping by 239 points on Monday itself with market turnover coming in at an astronomical 10.8 Bn.
- EXPO continued its momentous rise by contributing 98 points of the total all share gain on Monday.
- The firm decision on lockdowns erased any speculation that we think plagued some of the momentum witnessed last week.
- Mid-week saw the Colombo bourse continue its bullish run however, there was some retraction as we witnessed some profit taking. Turnover was somewhat tepid compared to Monday's performance, but it was still high -clocking 7.3 Bn on Wednesday.
- This week was also a great week for HAYL as the share price jumped by more than 4% mid-week and was the second most traded stock after EXPO.
- This week saw the continuation of LOLC vs. EXPO as the tussle for the largest market capitalisation continued with just LKR 129 Mn separating the two.
- Friday saw a slight slowdown with regards to gains in the bourse however, turnover came in at a phenomenal 16.5 Bn.

## A Double Whammy – Inflation Continues its Rise as Worker Remittances Drop for July

- Headline inflation by the Year-on-Year (YoY) change based on the National Consumer Price Index (NCPI) has increased to 6.8% in July 2021 from 6.1% in June 2021.

The increase was primarily attributable to increases in both the Food and Non-Food segments. The rise from Food segments was driven up by increases in sugar, rice, vegetables among others. The Non-Food segment rise was attributable to hikes in fuel prices.

This latest release confirms most of our assertions that this has been a rising trend since the start of the year.

- Furthermore, data released by the Central Bank pointed towards lower yields from Worker Remittances as proceeds came in at USD 453.3 Mn (down 35% YoY). This follows on the back of proceeds from June totalling USD 478 Mn and USD 460 Mn in May.
- The losses from April onwards can be attributed to the sharp disparity in the rates offered between the formal channels of banking and the grey market, with the workers preferring the latter when it comes to the transfer of funds.

The Central Bank stated that the high level in Worker remittances was due to the increased stay period by migrant workers as a result of most international borders being shut.

## Break the Ceiling: Bond Markets Remain Frozen, Price Ceiling Must be Removed to Alleviate Some Pressure

### Spot Rates

|         | Current | Previous Week | Change       |
|---------|---------|---------------|--------------|
| LKR/USD | 200.00  | 199.92        | <b>+0.08</b> |
| LKR/GBP | 273.90  | 272.34        | <b>+1.56</b> |
| LKR/EUR | 235.11  | 233.43        | <b>+1.68</b> |
| LKR/JPY | 1.82    | 1.82          | <b>0.00</b>  |

Source: CBSL

- Bond markets were largely frozen this week with only two short maturities being quoted this week.
- Bonds maturing on 15/11/23 were quoted at 6.95/7.10% down from 7.00/10.00% on Wednesday.
- Bonds maturing on 01/12/24 closed at 8.00/8.08% on Thursday down from 8.00/8.10% the day prior.
- This goes to show that what we iterated regarding price ceilings being lifted must be implemented, the removal of such ceilings will help restore government solvency in the domestic debt market whilst also giving some relief to forex shortages and allow the government to buy a portion of the dollars required for the external debt repayments.

## Curb Your Supply: China's Renewed Output Limits Drive Aluminium to 3-Year High

### Commodity Prices

|                             | Current  | Previous Week | Change        |
|-----------------------------|----------|---------------|---------------|
| Oil, Brent (USD per Barrel) | 72.07    | 66.63         | <b>+5.44</b>  |
| Gold (USD per Troy Ounce)   | 1,793.70 | 1,785.30      | <b>+8.40</b>  |
| Copper (USD per Pound)      | 4.48     | 4.04          | <b>+0.44</b>  |
| Aluminium (USD per Tonne)   | 2,635.00 | 2,544.00      | <b>+91.00</b> |

Source: Gold Council, LME, Reuters

- Oil rallied this week despite a fall on Thursday (breaking a three-day rally), amid concerns of demand recovery as more Covid restrictions are being implemented globally to curb the spread of the delta variant. The gains this week can be attributed to a fire at an offshore platform in Mexico knocked out a bit over 400,000 barrels per day in production.
- Aluminium prices soared to their highest in more than three years as worries about supplies from top producer China escalated further after output limits were put on five smelters in Xinjiang region. The limits represent a 10% output cut from levels seen in the first seven months of this year. Xinjiang represents a major smelting hub for the country, accounting for nearly a fifth of supply in the world's biggest producer.
- Copper prices saw an uptick this week as many see China succeeding in curbing the spread of Covid. Indicators suggest that the country's appetite for the metal is picking up rapidly.

## Markets Watch: Global Markets Await Powell's Exit Strategy

- Asian stocks traded mixed on Friday after some early gains during the week. The mixed reaction is as a result of investors remaining cautious ahead of the Fed's annual Jackson Hole symposium where Fed chair Jerome Powell is due to speak. The symposium will mark Powell's address where he will outline the Fed's exit from measures it took to rescue the economy from the pandemic.  
The Nikkei fell 0.36% on Friday whilst the Hang Seng was also down 0.18%. The Shanghai composite was up 0.59%.
- European stocks also followed a similar trend as they closed lower on Thursday, echoing global sentiment as U.S. policy makers gather for closely watched monetary policy summit.  
The pan-European STOXX 600 provisionally ended the session down 0.3%.

## Commodity Watch: Gold



Source: Trading View

- The Relative Strength Index (RSI) for gold is in the mid-range
- The current supply zone of gold is at USD 1,797 – USD 1,800 as the price getting continuously rejected from the supply zone.
- The price is currently trading in a declining trend. Therefore, the price needs to break above the USD 1,800 psychological area to reach the daily resistance USD 1,840 – USD 1,860.

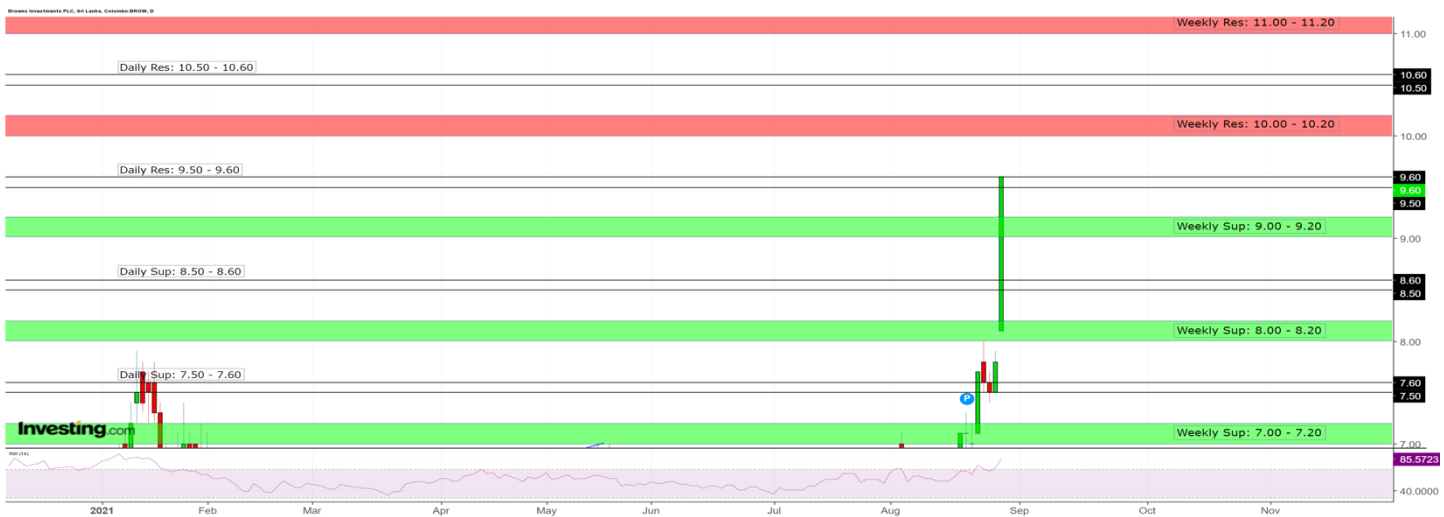
## Notions on ASPI



Source: Investing.com

- The RSI of ASPI closed at 79.08 for the week ended 27<sup>th</sup> August
- The daily chart indicates that the index is trading above in between the daily resistance of 8,900 – 8,950. If the index manages to sustain above the daily resistance 8,900 – 8,950 the index could consolidate in between the daily support 8,550 – 8,600 and daily resistance 8,900 – 8,950.
- The index is trading above the 8 Exponential Moving Averages (EMA) & 18 EMA's. This indicates the index remains to be bullish.; However, there is a strong gap between the index and 8 & 18 EMA's. Therefore, the moving averages need to be tested.

## Pick of the Week: BIL



Source: Investing.com

- The RSI of BIL closed at 85.57 which is still in the overbought region.
- The price managed to break the previous all-time high of LKR 7.90 which was recorded on 12<sup>th</sup> January 2021.
- The previous weekly resistance of LKR 8.00 – LKR 8.20 was broken today, and the price managed to close at the daily resistance LKR 9.50 – LKR 9.60.

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